

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION  
AUDIT AND COMPLIANCE BRANCH

RESOLUTION W-4308  
October 25, 2001

**R E S O L U T I O N**

**Resolution W-4308. POINT ARENA WATER WORKS, INC. (POINT ARENA). ORDER AUTHORIZING AN INTERIM GENERAL RATE INCREASE SUBJECT TO REFUND, PRODUCING ADDITIONAL REVENUE OF \$47,677 (62.3%).**

**By Draft Advice Letter Filed on June 26, 2000 and Revised January 11, 2001.**

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**SUMMARY**

This Resolution grants Point Arena, a Class D water utility, an interim increase in gross annual revenue of \$47,677 or 62.3%<sup>1</sup> subject to refund. The increase will provide Point Arena with no rate of return on its rate base, but with sufficient monies to pay its current cash operating expenses.

By Draft Advice Letter filed June 26, 2000 and revised January 11, 2001, Point Arena requests authority under Section VI of General Order No. 96-A and Section 454 of the Public Utilities Code to increase rates by \$70,000 or 91.5%<sup>2</sup>.

In conjunction with this interim rate increase, Point Arena notified its customers of the fact, by letter dated September 18, 2001. No protests have been received.

This is an uncontested matter<sup>3</sup> in which the decision grants the relief requested. Accordingly, pursuant to Public Utilities (PU) Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

**BACKGROUND**

Point Arena supplies water to approximately 181 customers in the City of Point Arena and vicinity and Whiskey Shoals Subdivision units 1, 2, and 3, Mendocino County.

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<sup>1</sup> 62.3% increase from \$76,479 (operating revenues of \$97,677 less \$21,188 surcharge rate).

<sup>2</sup> 91.5% increase from \$76,479 (operating revenues of \$97,677 less \$21,188 surcharge rate).

<sup>3</sup> No formal protests were received.

Pursuant to its 2000 Annual Report, Point Arena reported that it generated total operating revenues of \$97,667 (of which, approximately \$21,188 is general metered service surcharge) and net loss of \$84,163.

Point Arena's last general rate increase took into effect July 29, 1991 pursuant to Resolution W-3594. On June 26, 2000 Point Arena filed Advice Letter No. 38 to increase the monthly quantity and service charge rates by \$2,544 or 2.7% pursuant to Ordering Paragraph No. 1 of Decision (D.) 92-03-093<sup>4</sup> dated March 31, 1992 in Order Instituting Investigation (Risk OII) I.90-11-033. The increase became effective August 7, 2000.

## **NOTICE AND PROTESTS**

Point Arena notified its customers of the interim rate increase by letter dated September 18, 2001. No protests have been received.

On November 30, 2000, Point Arena notified its customers by letter of the general rate case and a public meeting was held on December 19, 2000, at the Lions Club Building in Point Arena to discuss the permanent rate increase. To-date, there are no final results on the permanent rates.

## **DISCUSSION**

In D.92-03-093, the Commission adopted a number of new policies in order to respond to the growing economic crisis that threatened investor-owned small water utilities in California to deliver clean, safe drinking water to their customers. This decision also determined that traditional ratemaking policies that are satisfactory for large water utilities are only sporadically successful in coping with the problems of Class D (up to 500 customers) and Class C (over 500 to 2000 customers) water companies.

Among others, the Commission offered in D.92-03-093 a simplified rate filing based on the Consumer Price Index, along with a new method for small companies to recover unanticipated repair costs deemed critical to continued service. In addition, the Commission increased the range of rate of return for small utilities and offered a number of streamlined procedures to simplify and speed regulatory review in order to encourage small utilities to seek Commission review of their operations as part of a more substantial adjustments in rates.

The Commission's on-going concern regarding the processing time for small water companies' transactions resulted in the creation of a Service Guarantee Plan for Small Water Companies (Plan) in February of 1996.

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<sup>4</sup> This decision authorized Class C and Class D water utilities to file each year by advice letter for an increase over the prior year's adopted revenue, based on the most recent year end increase in the Consumer Price Index. The increased cost is to be passed on to the utility's customers in their quantity, as well as, service charge rates.

The Plan provides an almost immediate simple mechanism to process an interim rate increase (within 45 days of filing). The interim increase, subject to refund, is based on a cash flow analysis. The analysis determines how much the utility needs to operate and to pay bills, including debt service. This Resolution implements this mechanism for Point Arena.

In 2000, Point Arena recorded a loss of \$84,163 from water operations. Its 1999 annual report indicated a net loss of \$15,700. The Audit and Compliance Branch prepared a cash flow analysis and estimated that the amount of \$47,677 or 62.3% would be necessary for the utility to meet its cash flow requirements for the year 2001.

In view of the 2000 negative cash flow problem, the Water Division recommends an interim rate increase of \$47,677 be granted to Point Arena, subject to refund, until permanent rates are determined and authorized.

The proposed interim rates are as follows:

Quantity Rates:

	<u>Present</u>	<u>Proposed</u>
All water, per 100 cu. ft.	\$2.66	\$4.32

Service Charge:

<u>Size of Meter</u>	<u>Present Rate Per Meter Per Month</u>	<u>Proposed</u>
5/8 x 3/4-inch meter	\$12.37	\$20.08
3/4-inch meter	15.61	25.34
1-inch meter	19.51	31.66
1-1/2-inch meter	27.32	44.34
2-inch meter	36.41	59.09
3-inch meter	61.77	100.25
4-inch meter	84.01	136.35
6-inch meter	139.62	226.60

The monthly bill for a typical 3/4" metered customer using 700 cubic feet of water would increase from \$34.23 per month to \$55.58 or 62.4%.

In order to respond to the utility's negative cash flow problem, the Water Division recommends the proposed interim rates shown above be granted to Point Arena subject to refund, pending the final results of the staff investigation needed to set permanent rates.

**FINDINGS**

1. The interim rates recommended by the Water Division (Appendix A) are reasonable and should be adopted.
2. The rate increase authorized herein should be subject to refund pending the completion of the staff investigation.

**THEREFORE, IT IS ORDERED THAT:**

1. Point Arena Water Works, Inc. is authorized to file an advice letter adopting the revised Schedule No. 1, General Metered Service attached to this Resolution as Appendix A, and concurrently cancel its presently effective rate. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be not earlier than five days after the date of its filing.
2. The rate increase authorized herein is subject to refund pending final resolution of Point Arena Water Works, Inc.'s rate increase request.
3. The Advice Letter and tariff sheets shall be marked to show that they were authorized by Resolution W-4308.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 25, 2001; the following Commissioners voting favorably thereon:

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WESLEY M. FRANKLIN  
Executive Director

LORETTA M. LYNCH  
President

HENRY M. DUQUE

RICHARD A. BILAS

CARL W. WOOD

GEOFFREY F. BROWN

Commissioners

**APPENDIX A****Schedule No. 1****GENERAL METERED SERVICE****APPLICABILITY**

Applicable to all metered service.

**TERRITORY**

The city of Point Arena and vicinity and Whiskey Shoals Subdivision Unit Nos. 1, 2 & 3, Mendocino County.

**RATES**

## Quantity Rates:

All water, per 100 cu. ft. . . . .	\$ 4.32	(I)
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## Service Charge:

		<u>Per Meter</u>	
		<u>Per Month</u>	
For	5/8 x 3/4-inch meter	\$ 20.08	(I)
For	3/4-inch meter	25.34	(I)
For	1-inch meter	31.66	(I)
For	1-1/2-inch meter	44.34	(I)
For	2-inch meter	59.09	(I)
For	3-inch meter	100.25	(I)
For	4-inch meter	136.35	(I)
For	6-inch meter	226.60	(I)

The service charge is a readiness-to-serve charge, which is applicable to all metered service and to which is to be added the charge for water used computed at the Quantity Rate.

**SPECIAL CONDITIONS**

1. In addition to the above rates and charges rendered to all bills under this schedule, a surcharge will be added as set forth in Schedule No. 1-X, General Metered Service Surcharge.
2. All bills are subject to the reimbursement fee set forth in Schedule No. U.F.